

ANNUAL REPORT 1999



Growing Evolving Succeeding

Foremost Farms USA
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Foremost
FARMS-USA

FOR THE YEARS ENDED DECEMBER 31,	1999	1998	1997
PRODUCER MILK RECEIVED (POUNDS)	5,358,790,000	5,141,648,000	5,407,792,000
AVERAGE NUMBER OF FARMS	4,865	5,111	5,846
AVERAGE MILK PER FARM (POUNDS)	1,102,000	1,006,000	925,000
AVERAGE VALUE OF MILK	\$153,653	\$156,101	\$122,383

PRODUCTS MANUFACTURED:

CHEESE (POUNDS)	456,330,000	436,478,000	442,914,000
BUTTER (POUNDS)	45,078,000	45,846,000	34,531,000
NONFAT DRY MILK (POUNDS)	—	4,476,000	4,082,000
WHOLE MILK POWDER (POUNDS)	—	—	1,686,000
PACKAGED FLUID MILK (GALLONS)	74,775,000	68,769,000	70,828,000
CULTURED PRODUCTS (POUNDS)	69,267,000	62,460,000	53,859,000
PACKAGED JUICES (GALLONS)	28,693,000	27,952,000	25,642,000
WHEAT PRODUCTS (POUNDS)	306,158,000	282,809,000	259,651,000

FOR THE YEARS ENDED DECEMBER 31,

	1999	1998	1997
TOTAL REVENUES	\$1,301,471,000	\$1,375,914,000	\$1,192,852,000
NET INCOME	18,958,000	27,360,000	4,517,000
INCOME ALLOCATED	16,334,000	28,542,000	7,368,000
CASH RETURNED TO MEMBERS	15,424,000	16,357,000	3,290,000

DECEMBER 31,

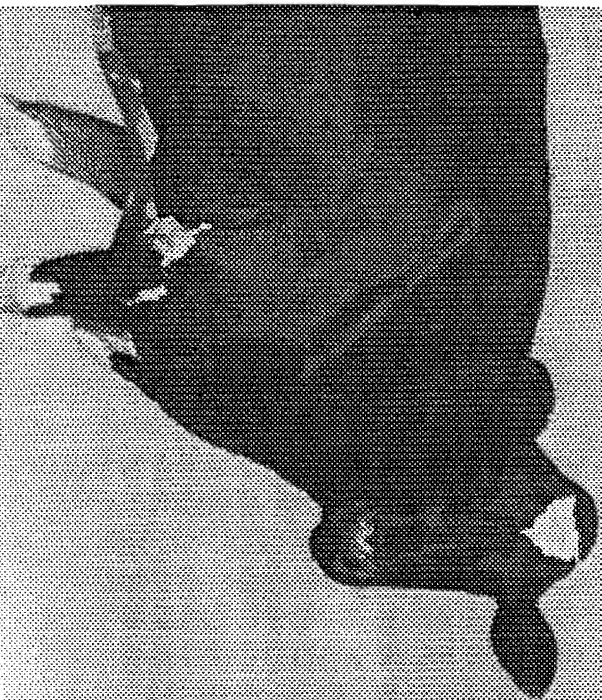
CURRENT ASSETS	140,460,000	194,993,000	146,708,000
WORKING CAPITAL	45,303,000	48,751,000	36,680,000
CURRENT RATIO	1.48 TO 1.00	1.33 TO 1.00	1.33 TO 1.00
TOTAL ASSETS	323,213,000	376,065,000	334,941,000
LONG-TERM OBLIGATIONS	59,452,000	65,968,000	72,476,000
TOTAL MEMBERS' AND PATRONS' EQUITIES	162,581,000	159,047,000	148,044,000

C O N T E N T S

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*"Coming together is a beginning... Keeping together is progress...
Working together is success."*

— Author unknown



Remember what it was like to be five years old? For most of us, that was quite a while ago. Those formative years are a time of growing, evolving and succeeding as you learn to walk, talk, make friends, express opinions and develop your own identity. By the time you started your first day of Kindergarten, you probably had the basic skills you needed to succeed in life.

In our first five years, Foremost Farms has been through some significant growth and change as we vied for a foremost position in a very competitive, fast-paced dairy economy.

On Jan. 1, 1995, we began doing business as Foremost Farms USA. We took those first steps and introduced ourselves as a new leader in dairy marketing. We established our identity as

Foremost Farms USA. We developed and implemented a solid business plan that has consistently generated returns for our Midwestern dairy farmers. We're not stopping at five. We must continue growing, evolving and succeeding so we can best serve our past, present and future member-owners.

99



Five years old and ready to grow

We've reached a major milestone in the life of our cooperative — we're five years old. I think it's appropriate to look back and reflect on how we've all had a stake in making Foremost Farms USA the cooperative it is today... a cooperative that is growing, evolving and succeeding in today's marketplace.

Bringing Foremost Farms together has taken the solid commitment and nurturing of every member and employee over the past five years. It all began in 1994 when the boards of Golden Guernsey Dairy Cooperative and Wisconsin Dairies Cooperative began studying the feasibility of forming one organization to serve the long-term milk marketing needs of Upper

Midwest dairy farmers. The study led to a plan of consolidation that was acted on by the members of both cooperatives, and Foremost Farms USA was officially formed as Golden Guernsey Dairy and Wisconsin Dairies became one on Jan. 1, 1995. The seed was planted on fertile soil, and it took root.

Just like on each of our farms, a lot has happened in the short life of your cooperative. And, just like on your farm, sometimes opportunities don't happen on your timeline. A good example was during our first year of business. Your board of directors was given the opportunity to acquire the Morning Glory Farms Region of Associated Milk Producers, Inc., Shawano, Wis.

At the time, there were questions about too much growth in such a short time. But, as you'll notice from

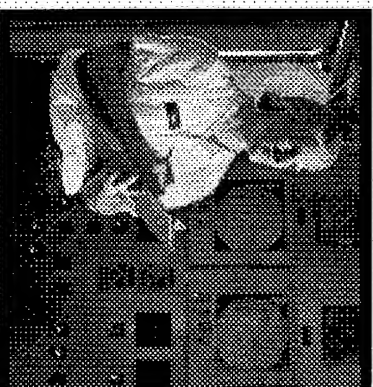
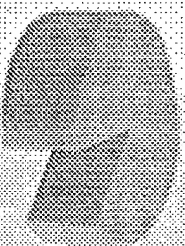
the strength of the financial statements in this report, we made the right decision. This acquisition on Dec. 1, 1995, brought an additional 3,200 member farms, 650 employees, seven manufacturing plants and five milk transfer stations to Foremost Farms. Our annual sales grew by 65 percent from \$820 million in 1995 to \$1.4 billion in 1996.

During these formative years, a good deal of time was spent developing a plan for governance, integrating the administrative services of three separate businesses, consolidating and re-aligning milk routes and member

services, improving milk utilization and streamlining customer service.

We've made significant changes in each of our operating divisions. Because of the demand for Italian-style cheese, we converted two cheese plants from American-style to mozzarella production. We closed the Cornuth, Barron and Arena, Wis., plants to better utilize member milk at other locations. We made 31 percent more cheese in 1999 than in 1995 because of efficiencies made at our cheese plants, the overall market demand and returns on cheese and the increase in milk production at the farm level.

Today, Foremost Farms makes nearly 6 percent of all the cheese produced in the U.S.



"Bringing Foremost Farms together has taken the solid commitment and nurturing of every member and employee over the past five years."

— Edward Brooks, Chairman of the Board

The consumer's demand for single-serving containers of milk called for the introduction of our "Grip It, Sip It" line of

plant and expanding the coolers and dry storage areas at Waukesha and De Pere, Wis., to better serve our retail customers' needs.

We have continued

developing niche markets for our whey ingredients by introducing our dough conditioners to new

segments of the baking industry. Examples include our dough

conditioners for both the tortilla and hearth bread markets. These products help reduce dough mix time, improve machinability and retain freshness longer. We

remain a leader in the pharmaceutical lactose market as our product is found in seven of the top 10 prescription drugs sold in the U.S.

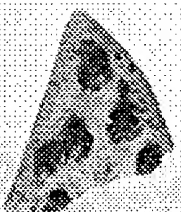
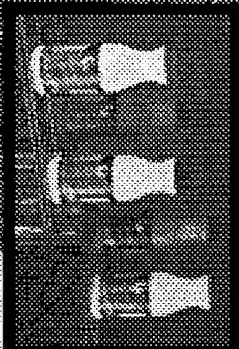
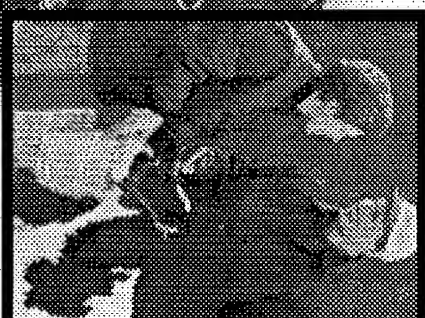
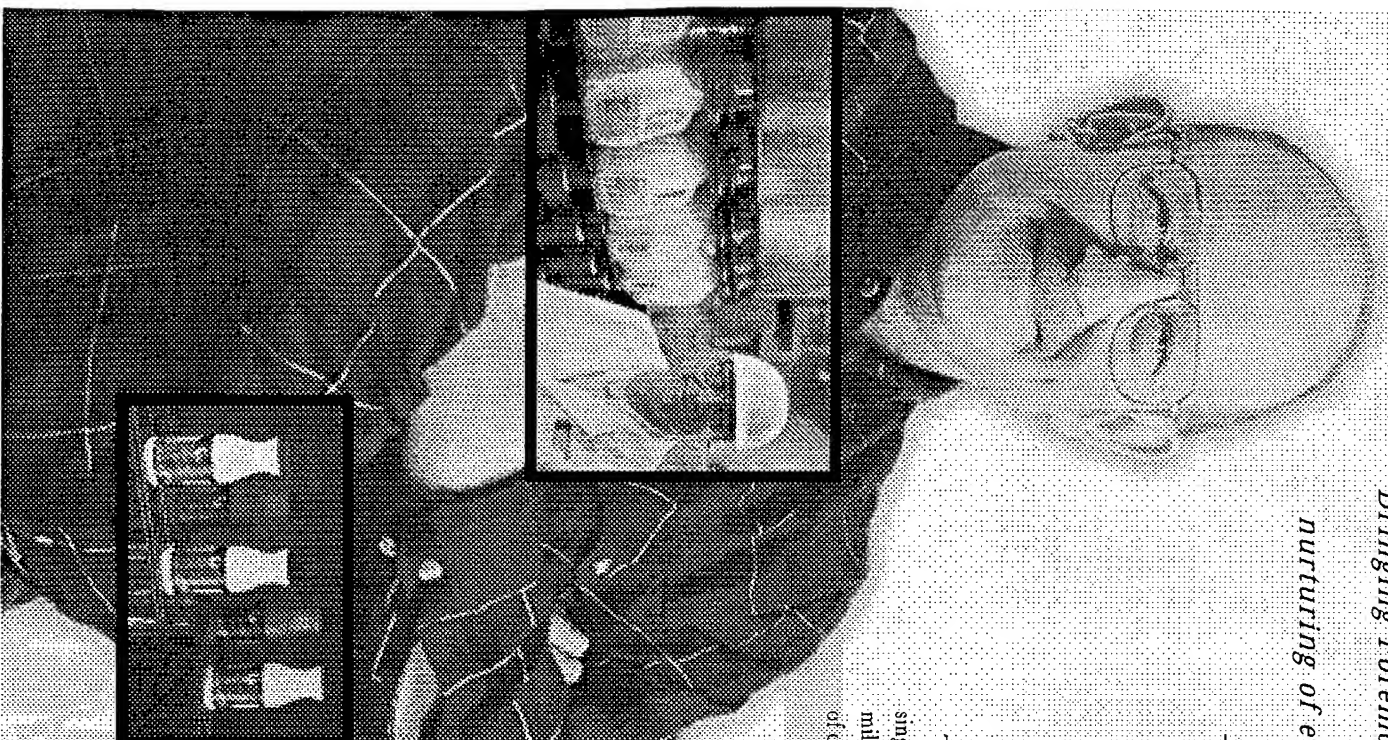
The introduction of our Risk Management Program along with electronic tools like our cooperative's web site,

have provided members with quick and convenient access to information needed to manage their dairy businesses.

Today we're at a point financially where we are

ready to make the next move in meeting the future needs of our members. In our first five years, we got our balance and learned how to walk successfully. That gave us a firm foundation from which we can continue taking

bolder steps as we look for opportunities that can help our members successfully compete for market share in tomorrow's highly competitive marketplace.



Evolving to meet our members' needs

To compete in today's volatile dairy industry, one must look to the future while remembering your roots. As your business grows and evolves, you rely on past experience to make sound decisions that will help you achieve new goals.

One of our members, Vernon Newhouse, whose farm has been with this cooperative or one of its predecessors since 1942, built his business that way. Vernon, pictured to the right in his barn, joined his father on their Kaukauna, Wis., dairy farm in 1960, and operated it independently for 35 years.

However, as the dairy industry moved from government price supports to consumer-driven markets, Vernon saw the need to plan for the future in a different way. In 1995, Vernon and his three neighbors formed Neighborhood Dairy, a limited liability company that has allowed each

of the families to bring their individual strengths into a business plan that will carry them into the future.

Like Neighborhood Dairy and other member-owners, Foremost Farms has had to evolve in order to persevere and adapt to the changes in our industry just looking back at 1999, the volatility of the dairy markets made it a challenging year. Yet, Foremost Farms was able to successfully complete its fifth year because of good decisions made in the past that are paying off for us today.

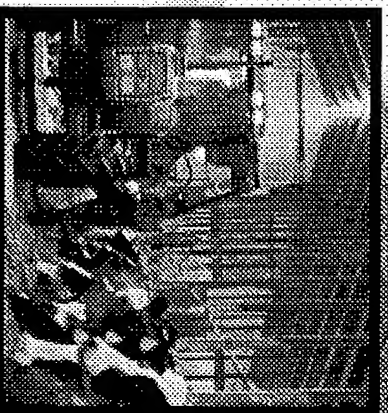
Fueled by a robust general economy with low unemployment and rising family income, commercial disappearance of milk products rose 2.4 percent for the first 10 months of 1999 compared to the prior year. Consumers continued to spend more money on food expenditures away from home, and their favorite restaurant

was one that serves pizza. According to the January 2000 issue of Dairy Foods magazine, only 34 percent of food expenditures were away-from-home in 1970. Recent estimates show that this statistic is now about 45 percent.

On a national level, milk production is projected to continue rising during the early part of 2000. At the

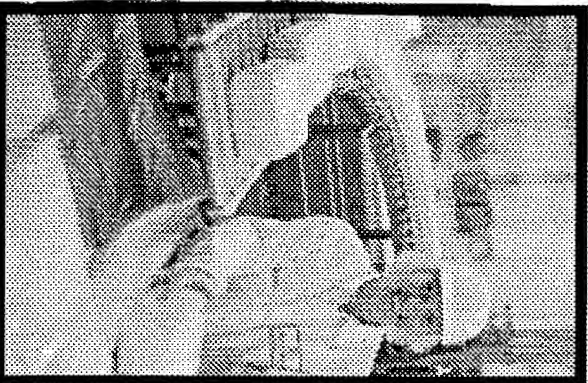


same time, we expect consumer confidence in dairy products to continue. But, this will not be at the same level as milk output so the end result will mean lower milk prices in 2000 compared to the past two years.



"As we move ahead, we remain committed to serving the marketing needs of our member-owners—Midwest dairy farmers."

— Donald C. Storcholt, President



The diversity of our product mix and the ability to take advantage of markets as opportunities arise have contributed to the success of your cooperative. Our product mix will continue to evolve with changes in the marketplace.

For instance, with the growing demand for Italian cheese, this year we plan to become an even bigger

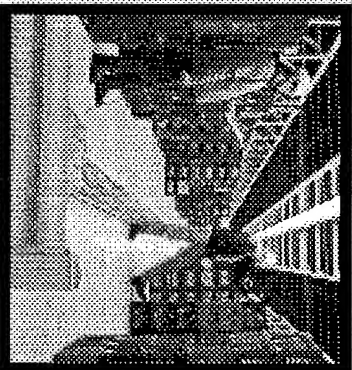
market player by producing and marketing more mozzarella cheese as an ingredient in Italian-style foods.

We will work even harder to reduce the cost of producing a pound of cheese by fully utilizing our existing facilities and incorporating new

information and processing technology. This will help Foremost Farms compete for market share against other regions of the U.S. that are

producing cheese at a very competitive cost.

The ingredient division will continue to produce and market products that command higher values from the marketplace—like dough conditioners, pharmaceutical lactose and blends—and increase market share in infant and nutritional feeding programs.



In the fluid division, we will continue to realign activities between our

Waukesha and De Pere, Wis., facilities in order to gain greater plant efficiencies, improve customer relations, and increase market share. During the

coming year, we plan to introduce flavored milks in "Grip It, Sip It" containers.

Also, we will examine partnering opportunities and look at how we can best leverage our two

brands, Morning Glory™ and Golden Guernsey Dairy®.

In the procurement & sales division, we are familiarizing our members with risk management tools, and we are evaluating how Foremost Farms can use technology to establish a one-stop information shop for members. It's our goal to provide members easy access to test results, payroll data and risk management information in a secure manner.



As we move ahead, we remain committed to serving the marketing needs of our member-owners—Midwest dairy farmers. Our growth must come from opportunities that enhance our position in the marketplace and generate sound returns for past, present and future member-owners.



1999 — a successful year

1999 WAS A YEAR OF EXTREMES:

The price of 40-pound Cheddar blocks hit an all-time high of \$1.9725 per pound on Aug. 19 but dropped back to \$1.12 per pound by Nov. 19. In January, the Basic Formula Price (BFP) reached \$16.27 per hundredweight; then by December it was at a 20-year low of \$9.63 a hundredweight.

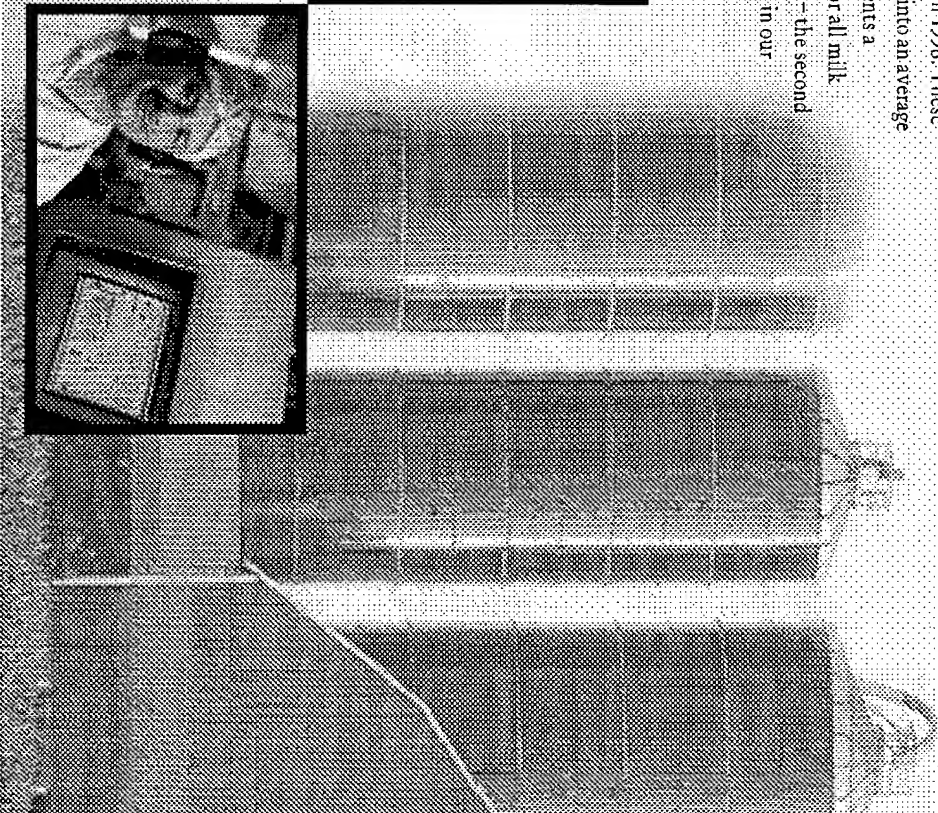
The BFP averaged \$12.43 per hundredweight for the year, \$1.77 below the record-high average of 1998. The strong demand for cheese during the summer months pulled milk prices along for the first half of the year but month-after-month increases in milk production reversed that trend by year's end. Nationally, 1999 milk production was 3.4 percent greater than the previous year. Within your cooperative, milk receipts from members

were up 4 percent over 1998 at 5.4 billion pounds, slightly higher than the national average.

Much of the year was spent finding a solution to Federal Milk Marketing Order reform. In the end, Congress — rather than the United States Department of Agriculture (USDA) — made the final call and new rules were implemented Jan. 1, 2000.

The new federal order regulations reduce the number of marketing orders from 31 to 11; create a uniform multiple-component pricing system; extend the Northeast Dairy Compact through Sept. 20, 2001, and adjust Class I differentials throughout regulated markets. How did this marketing environment impact the bottom line of your cooperative? We

ended 1999 with \$1.3 billion in sales, about \$71 million less than 1998. Net income for 1999 was \$19 million, about \$8 million less than in 1998. These earnings translate into an average allocation of 30 cents a hundredweight for all milk marketed in 1999 — the second highest allocation in our five-year history.





HERE ARE THE OPERATIONAL HIGHLIGHTS FROM THE PAST YEAR:

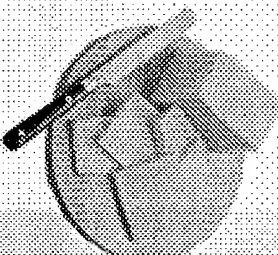
- Expansion of the coolers and dry storage facilities was completed at both our Waukesha and De Pere, Wis., plants to accommodate customer needs and absorb the production volume from the closure of our Wausau, Wis., facility.
- The decision was made to discontinue production of cottage cheese at De Pere based on current production volumes and the need to make significant investments in new equipment. The plant floor space will be renovated to accommodate expansion of processing and packaging lines.
- We installed the next phases of the Milk Procurement

Information System (MIPS) by providing field representatives with on-line access to patron information and members with a

- more comprehensive milk check format.
- Markers were developed for our new whey-based dough conditioner targeted at bakeries that make European-style breads and pastries.
- ReCorta™, a dried cheese product for Italian entrees, was introduced to the food processing industry.
- Pepper jack cheese production was moved from Waumandee, Wis., to Decorah, Iowa.
- In return, production of pizza cheese in 640-pound blocks was moved from Decorah to Waumandee where there was additional processing capacity.
- A new make-room floor, drains, mixer and refurbished

vats and cheese tables were installed at Chilton, Wis., improving provolone and mozzarella cheese production.

- Our computer and telephone systems were upgraded both in preparation for the Year 2000 (Y2K) and as a foundation for future growth and support.
- Our web site, www.foremostfarms.com, went on-line in February. The site includes a special section for members only as well as general information of interest to prospective members, employees and customers.
- Employees at our Indianapolis, Ind., office moved to a new location with larger, modern spaces for our central milk testing laboratory and marketing offices.



Our first four years — 1995 - 1998

1995

- Wisconsin Dairies Cooperative and Golden Guernsey Dairy Cooperative consolidate on Jan. 1 to form Foremost Farms USA Cooperative.
- The cooperative's new logo is unveiled symbolizing what our members have in common: working together for financial stability, product quality and customer service.
- Our first order of whey protein concentrate is sold to China.
- The Madison plant is the first to begin packaging juice products in gable-top, half-gallon cartons with resealable, plastic caps.
- Foremost Farms USA acquires the Morning Glory Farms Region of ANPI from Associated Milk Producers, Inc. (AMPI) on Dec. 1.
- As the result of combining forces, Foremost Farms now manufactures and markets 21 types of cheese in bulk through national accounts, in consumer packages through retail outlets and institutional

packaging through foodservice accounts.

- Renovations at our Deonah, Iowa, plant mean an additional 10 million pounds of cheese can be produced there annually. In Appleton, Wis., Edam and Gouda cheese production is discontinued and the plant is retrofitted to expand mozzarella cheese production from 39 million to 70 million pounds a year.

1996

- Foremost Farms consolidates its administrative services (accounting, information services, safety, environmental and regulatory affairs, and human resources) by closing the Morning Glory and Galster Guernsey Dairy corporate offices at Shawano and Milwaukee, Wis., respectively, and moving those functions to Baraboo, Wis.

Efficiencies are gained in milk assembly through the

- re-alignment of milk routes and field representative territories which results in 40 trucks taken off the road and assigning about 150 farms per rep.

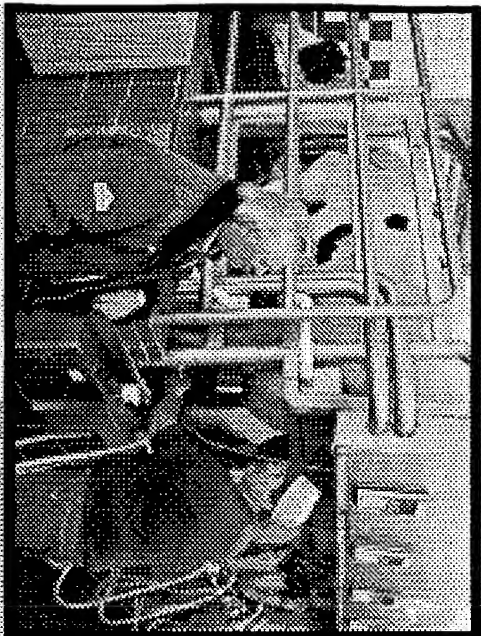
The Foremost Farms board of directors temporarily increases to 60 members when the 24 members of the Morning Glory Farms Region board join the cooperative's

transitional board. This board will reorganize in 1997.

- Foremost Farms begins selling pharmaceutical-grade lactose to Taiwan.
- Multiple-component pricing takes effect in five Upper Midwest federal orders on Jan. 1.



1995 98



- Members are offered direct-deposit services for milk checks.
- The foundation for our information systems, the Dairy Management System, is put in place allowing for timely movement of data between our plants and the Barbours, Wis., office.

1997

- The board of directors completes the two-year transition into a new system of governance reducing the transitional 60-member board to a 39-member board.
- Our American-style cheese plant at Wilson, Wis., is retrofitted to produce a specialty mozzarella cheese product for a major foodservice supplier.

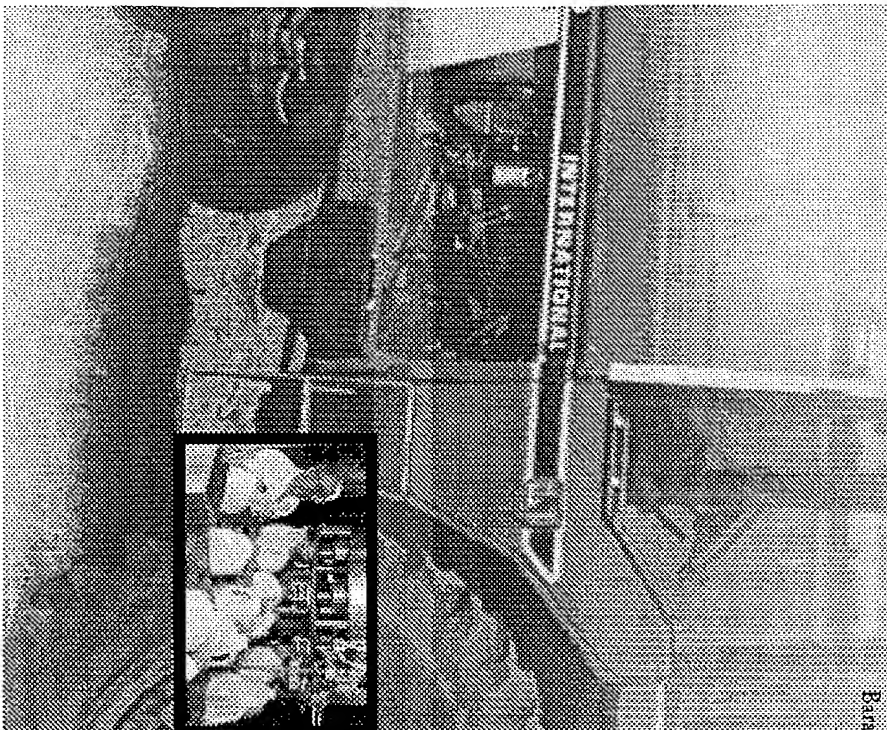


- The graphics for our Golden Guernsey Dairy® packaging are updated. The brand's slogan becomes "Taste the Pride Inside."
- A unique Vendor Managed Inventory (VMI) solution is developed for Dominick's Finer Foods, a Chicago-based supermarket chain.

VMI allows us to accurately forecast and fulfill the dairy product demand for individual stores.

1998

- Our new line of "Grip It, Sip It" pint- and quart-size plastic packaging makes its mark in retail food stores.
- The Morning Glory Dairy™ brand boasts new graphics in January.
- Strong demand for butterfat results in record-high cheese and butter prices. Cheese prices are 20 percent higher than the previous year; the butter price is 33 percent above 1997 prices.
- Organizational restructuring brings focus to our four core business areas: cheese, ingredients, fluid products, and procurement and raw milk sales.
- Current and past member-owners share in the distribution of \$16 million in cash, equity credits and estates.
- Members earn an average allocation of 33 cents a hundredweight for all milk marketed – an all-time high.
- Foremost Farms receives two "top supplier" awards from the pharmaceutical industry. One is from Hoechst Marion Roussel of Cincinnati and the other from Pharmacia & Upjohn in Puerto Rico.
- The Rothschild, Wis., lactose processing facility receives a new intake, new crystallizers, an upgraded electrical system and completes implementation of the Supervisory Control and Data Acquisition system.
- Five 25,000-gallon receiving silos, three peameat storage tanks and a 30,000-gallon fiberglass tank for chemical reclaim are added.
- Foremost Farms introduces Pronto-Perfecto, a dough base, and Pronto-Flex, a dough conditioner, to the tortilla market.
- Members begin using Foremost Farms' Risk Management Program on Oct. 1 as a tool to deal with volatile markets and milk prices.



FINANCIAL

Overview

Foremost Farms USA ended 1999 with another successful year. Sales amounted to \$1.3 billion and net income was \$19.0 million during 1999. Both sales and net income are down from the record levels of 1998 when the cooperative had sales of \$1.4 billion and net income of \$27.4 million. Business volume for 1999, as measured by units manufactured and sold, increased by approximately 5 percent over 1998.

It was an extremely volatile year in the dairy commodity markets. Cheese market prices started the year at \$1.90 per pound and ended the year at \$1.20 per pound. Similarly, butter prices began the year at \$1.43 per pound and ended at \$.8750 per pound. These fluctuations caused corresponding changes to prices paid for milk. The Basic Formula Price (BFP) for milk ranged from a high of \$16.27 per hundredweight in January 1999 to a low of \$9.63 per hundredweight in December 1999. The average price paid to member-producers was \$14.00 per hundredweight for 1999 compared to \$15.52 per hundredweight in 1998.

The cooperative's member-owners will receive patronage refunds amounting to \$16.3 million or an average of \$.30 per hundredweight for milk they marketed through the cooperative during 1999. Twenty-five percent, or \$4.1 million, will be paid in cash and the remainder will be added to their equity accounts.

The balance sheet at December 31, 1999, continues to reflect the increasing financial strength of Foremost Farms USA. Total assets were \$323 million compared to \$376 million at December 31, 1998. The entire decrease is due to the effect of lower product values on accounts receivable and inventories. Working capital amounted to \$45 million at December 31, 1999, compared to \$49 million at December 31, 1998. Once again, the decrease is due to relative product values. The current ratio was \$1.48 to \$1.00 compared to \$1.33 to \$1.00 for 1999 and 1998, respectively.

Re-investments for capital improvements to facilities, machinery, equipment and information systems were \$26 million and \$20 million during 1999 and 1998, respectively. These investments help assure that the cooperative will maintain efficient operations and the ability to meet the needs of all stakeholders.

Total debt utilized by the cooperative at December 31, 1999 and 1998 amounted to \$60 million and \$81 million, respectively. The ratio of long-term obligations to total members' and patrons' equities improved from \$.41 to \$1.00 at December 31, 1998 to \$.37 to \$1.00 at December 31, 1999.

During 1999 the total cash paid or payable to members in the form of patronage refunds and equity revolvments amounted to \$15.4 million or 81 percent of net income. Total members' and patrons' equities increased by \$3.5 million to \$163.6 million at December 31, 1999, resulting in an ownership ratio (total equities divided by total assets) of \$.50 to \$1.00 compared to \$.42 to \$1.00 at December 31, 1998.

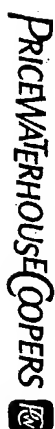
Foremost Farms USA ended the year as a financially strong organization capable of meeting the challenges and opportunities facing the dairy industry in the 21st century.



Daiane T. Kamenick, Vice President-Finance

Report of Independent Accountants

100 East Wisconsin Avenue
Suite 1500
Milwaukee, WI 53202



To the Board of Directors of

Foremost Farms USA, Cooperative

In our opinion, the accompanying balance sheets and the related statements of operations, members' and patrons' equities and cash flows present fairly, in all material respects, the financial position of Foremost Farms USA, Cooperative at December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Cooperative's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

February 15, 2000

Balance Sheets

December 31,
1999 1998

Assets

Current Assets:

Cash and cash equivalents
Receivables, less allowance for doubtful accounts
of \$839,000 and \$817,000, respectively
Inventories
Prepaid expenses

\$ 833,000	\$ 1,183,000
92,621,000	138,522,000
46,011,000	54,172,000
995,000	1,116,000

Total Current Assets

140,460,000	194,993,000
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Investments

Property, plant and equipment, net
Intangible and other assets

19,921,000	18,862,000
143,533,000	141,248,000
19,299,000	20,962,000

Total Assets

\$ 323,213,000	\$ 376,065,000
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Liabilities and Equities

Current Liabilities:

Note payable
Current portion of long-term obligations
Accounts payable
Accrued expenses
Patronage refunds payable

\$ —	\$ 14,600,000
508,000	555,000
75,158,000	107,831,000
15,408,000	16,120,000
4,083,000	7,136,000

Total Current Liabilities

95,157,000	146,242,000
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Long-term obligations

59,452,000	65,968,000
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Other noncurrent liabilities

6,023,000	4,808,000
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Members' and Patrons' Equities:

Allocated equities
Surplus

140,050,000	139,036,000
22,531,000	20,011,000

Total Members' and Patrons' Equities

162,581,000	159,047,000
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Total Liabilities and Equities

\$ 323,213,000	\$ 376,065,000
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STATEMENTS OF Operations

For the Year Ended December 31,

1999

1998

1997

Net product sales
Patronage refunds and other income, net

\$1,299,227,000 \$1,369,744,000 \$1,190,548,000
2,244,000 6,170,000 2,304,000

Total Revenues

1,301,471,000 1,375,914,000 1,192,852,000

Payments to patrons and
other costs of products sold
Selling, general and administrative expenses
Depreciation and amortization expense
Interest expense

1,222,598,000 1,287,452,000 1,134,500,000
28,246,000 29,134,000 25,624,000
25,347,000 24,471,000 21,946,000
4,611,000 5,244,000 5,735,000

Income Before Income Taxes
Provision for income taxes

1,280,802,000 1,346,301,000 1,187,805,000
20,669,000 29,613,000 5,047,000
1,711,000 2,253,000 530,000

Net Income

\$ 18,958,000 \$ 27,360,000 \$ 4,517,000

STATEMENTS OF Members' and Patrons' Equities

Allocated Equities

Surplus

Equity Credits	Capital Retains*	Predecessor Cooperative*	Total	Unallocated	Allocated	Total	Total Members' & Patrons' Equities
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Balance at December 31, 1996 \$ 86,339,000 \$ 15,089,000 \$ 21,072,000 \$ 122,500,000 \$ 18,220,000 \$ 6,097,000 \$ 24,317,000 \$ 146,817,000

Net income allocated 7,368,000 — — 7,368,000 (2,851,000) — (2,851,000) 4,517,000
Retirements (1,096,000) (96,000) (229,000) (1,421,000) — (27,000) (27,000) (1,448,000)
Patronage refunds payable in cash (1,842,000) — — (1,842,000) — — — (1,842,000)

Balance at December 31, 1997 90,769,000 14,993,000 20,843,000 126,605,000 15,369,000 6,070,000 21,439,000 148,044,000

Net income allocated 28,542,000 — — 28,542,000 (1,182,000) — (1,182,000) 27,360,000
Retirements (6,266,000) (1,598,000) (1,111,000) (8,975,000) — (246,000) (246,000) (9,221,000)
Patronage refunds payable in cash (7,136,000) — — (7,136,000) — — — (7,136,000)

Balance at December 31, 1998 105,909,000 13,395,000 19,732,000 139,036,000 14,187,000 5,824,000 20,011,000 159,047,000

Net income allocated 16,334,000 — — 16,334,000 2,624,000 — 2,624,000 18,958,000
Retirements (6,429,000) (2,646,000) (2,162,000) (11,237,000) — (104,000) (104,000) (11,341,000)
Patronage refunds payable in cash (4,083,000) — — (4,083,000) — — — (4,083,000)

Balance at December 31, 1999 \$ 111,731,000 \$ 10,749,000 \$ 17,570,000 \$ 140,050,000 \$ 16,811,000 \$ 5,720,000 \$ 22,531,000 \$ 162,581,000

*Equities were acquired in conjunction with the purchase of the Morning Glory Farms Region of Associated Milk Producers, Inc. on December 1, 1995.

STATEMENTS OF *Cash Flows*

For the Year Ended December 31,
1998 1997

Cash Flows from Operating Activities			
Net income	\$18,958,000	\$27,360,000	\$ 4,517,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	23,548,000	22,722,000	20,194,000
Amortization	1,799,000	1,749,000	1,752,000
Facility closure activities (Note 8)	(805,000)	4,000,000	—
Patronage allocations and dividends received	(3,637,000)	(4,166,000)	(2,570,000)
(Gain) loss related to asset disposals	(586,000)	(205,000)	844,000
Deferred income taxes	74,000	228,000	242,000
Increase (decrease) in cash due to changes in:			
Receivables	45,901,000	(40,667,000)	6,572,000
Inventories	8,161,000	(8,477,000)	5,139,000
Prepaid expenses	24,000	453,000	(117,000)
Accounts payable	(32,673,000)	25,049,000	(10,042,000)
Accrued expenses	(125,000)	2,128,000	530,000
Other assets and liabilities, net	1,102,000	959,000	942,000
	42,783,000	3,773,000	23,486,000
Net Cash Provided by Operating Activities	61,741,000	31,133,000	28,003,000
Cash Flows from Investing Activities			
Purchases of property, plant and equipment	(26,390,000)	(19,643,000)	(21,804,000)
Proceeds from sale of property, plant and equipment	1,361,000	629,000	1,159,000
Equity redemptions and dividends received	2,578,000	2,635,000	6,547,000
	(22,451,000)	(16,379,000)	(14,098,000)
Net Cash Used in Investing Activities			
Cash Flows from Financing Activities			
Patronage refunds paid to members	(7,136,000)	(1,842,000)	(4,184,000)
Retirements of allocated equities	(11,237,000)	(7,975,000)	(1,421,000)
Retirements of allocated surplus	(104,000)	(246,000)	(27,000)
(Repayments of) proceeds from note payable, net	(14,600,000)	1,300,000	(2,000,000)
Repayments of long-term obligations, net	(6,563,000)	(6,446,000)	(6,424,000)
	(39,640,000)	(15,209,000)	(14,056,000)
Net Cash Used in Financing Activities			
Net decrease in cash and cash equivalents	(350,000)	(455,000)	(151,000)
Cash and cash equivalents, beginning of year	1,183,000	1,638,000	1,789,000
Cash and cash equivalents, end of year	\$ 833,000	\$ 1,183,000	\$ 1,638,000

NOTES TO Financial Statements

1.

Summary of Significant Accounting Policies

Nature of operations

Foremost Farms USA, Cooperative ("Foremost Farms USA" or the "Cooperative") was formed effective January 1, 1995 through the consolidation of Wisconsin Dairies Cooperative and Golden Guernsey Dairy Cooperative. Foremost Farms USA is principally engaged in the processing, manufacturing and marketing of dairy products and chilled juices for sale primarily to food industry companies, wholesalers and retailers within the United States.

Foremost Farms USA is a non-stock cooperative. Earnings attributed to members and patrons are allocated in cash and equity credits in accordance with the Cooperative's bylaws. Allocated equities are redeemable at the discretion of the Board of Directors.

In the normal course of operations, Foremost Farms USA transacts business with its members and patrons. Purchases from and sales to any member cooperative or patron did not exceed 10% of the respective totals for any period presented.

The Cooperative recognizes revenue at the time products are shipped.

Cash and cash equivalents

For purposes of the statements of cash flows, the Cooperative considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories, principally dairy products and production supplies, are stated at the lower of cost or market, with cost determined using the first-in, first-out (FIFO) method.

Investments

Investments in other cooperatives are stated at cost plus allocated equities less cash distributions received. The principal investments at December 31, 1999 are \$9,215,000 in Land O' Lakes, Inc., \$5,494,000 in Prairie Farms Dairy, Inc. and \$4,087,000 in Cobank, ACB.

The Cooperative believes it is not practical to estimate the fair value of investments in other cooperatives without incurring excessive costs because there is no established market for these investments and it is inappropriate to estimate future cash flows, which are largely dependent on future earnings of the cooperatives.

The equity method of accounting is used for investments in other companies in which Foremost Farms USA's interest is 20-50 percent.

Property, plant and equipment

Property, plant and equipment are stated at cost and include expenditures for land and improvements, buildings, machinery and equipment and construction in progress. Machinery and equipment consists of production machinery and production and office equipment, including computer hardware and related purchased software costs.

Generally, the Cooperative provides for depreciation using the straight-line method over a period which approximates the useful lives of the assets. When properties are retired or otherwise disposed of in the normal course of business, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recognized. Expenditures which substantially increase value or extend useful lives are capitalized. Expenditures for maintenance and repairs are charged against income as incurred.



NOTES TO Financial Statements

Long-lived assets, principally property, plant and equipment, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable based upon related estimated future cash flows. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Intangible assets

Costs in excess of net assets acquired in a business combination are being amortized on a straight-line basis over 15 years. The unamortized amount related to the December 1995 acquisition of the Morning Glory Farms Region of Associated Milk Producers, Inc. is \$17,840,000 and \$19,491,000 at December 31, 1999 and 1998, respectively. The Cooperative periodically evaluates intangible assets for impairment. In completing this evaluation, the Cooperative compares estimated future cash flows with the carrying value of the related intangible.

Income taxes

The Cooperative accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Cooperative's financial statements or tax returns. In accordance with the Internal Revenue Code, the Cooperative provides for federal income taxes in the statements of operations based upon nonpatronage income and income attributable to business with nonmembers.

Fair value of financial instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", requires disclosure of the fair value of all financial instruments to which the Cooperative is a party. All financial instruments are carried at amounts that approximate estimated fair value, except for investments in other cooperatives, for which it is not practicable to provide fair value information.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Patron risk management programs

The Cooperative offers certain programs that allow its patrons to manage the risk associated with changing milk prices. The Cooperative, in turn, enters into financial instruments to offset the effects of milk price changes under such programs. These activities are subject to established policies which, among other matters, prohibit the use of derivative financial instruments for speculative purposes.

Major Customers

Substantially all of the Cooperative's revenues are derived from sales to food industry companies, wholesalers and retailers in the United States. The Cooperative had one customer which individually accounted for 10% or more of sales for each of the three years in the period ended December 31, 1999. No customer's accounts receivable balance individually accounted for 10% or more of total accounts receivable at December 31, 1999 and 1998.

NOTES TO Financial Statements

3.

Property, Plant and Equipment

Balances of the major classes of assets included in property, plant and equipment, and accumulated depreciation and amortization are as follows:

	December 31,	
	1999	1998
Land	\$ 9,537,000	\$ 8,484,000
Buildings	84,856,000	78,873,000
Machinery and equipment	235,528,000	217,760,000
Capitalized leases (Note 5)	2,164,000	2,294,000
Construction in progress	553,000	1,852,000
Asset write-downs (Note 8)	(1,847,000)	(2,619,000)
	330,791,000	306,644,000
Accumulated depreciation and amortization	(187,258,000)	(165,396,000)
	<u>\$143,533,000</u>	<u>\$141,248,000</u>

4.

Note Payable and Long-Term Obligations

Long-term obligations consist of the following:

	December 31,	
	1999	1998
Term loan	\$ 51,000,000	\$ 57,000,000
Reinstatable term loan	8,000,000	8,000,000
Pollution control revenue bonds	255,000	490,000
Capitalized lease obligations (Note 5)	526,000	848,000
Other obligations	179,000	185,000
	59,960,000	66,523,000
Current portion of long-term obligations	(508,000)	(555,000)
	<u>\$ 59,452,000</u>	<u>\$ 65,968,000</u>

The Cooperative maintains a \$103,000,000 credit agreement with CoBank, ACB (the "Bank") of which \$59,000,000 was outstanding at December 31, 1999, consisting of a \$51,000,000 term loan and an \$8,000,000 reinstatable term loan. Monthly term loan installments of \$500,000 are next due beginning January 31, 2001. Interest rates on the term loan are subject to periodic market adjustments and currently range from 6.80% to 7.68% with a weighted average rate of 7.02% at December 31, 1999. The reinstatable term loan matures on June 30, 2001 and bears interest at 6.80%, subject to periodic market adjustments. A commitment fee of .50% is charged on the daily unadvanced balance of the \$8,000,000 reinstatable term loan. The Cooperative also maintains a seasonal loan which matures on June 30, 2000 and bears interest at rates periodically determined by the Bank, with fixing options available to the Cooperative. Amounts outstanding under the seasonal loan were \$0 and \$14,600,000 at December 31, 1999 and 1998, respectively.

NOTES TO Financial Statements

Borrowings under the credit agreement are secured by a first mortgage on certain real property and a first security interest in machinery and equipment located on the mortgaged property. The carrying value of mortgaged and pledged assets approximates \$10,946,000 at December 31, 1999.

The credit agreement requires the maintenance of certain financial covenants. In addition, the agreement provides that the Bank may require the Cooperative to invest in equities of the Bank in such amounts as prescribed by the Bank's capital plan. No such investments were required by the Bank during the years ended December 31, 1999, 1998 and 1997, respectively.

The pollution control revenue bonds were issued by the Town of Cady, Wisconsin on June 1, 1992 at a 6.20% interest rate. Various sinking fund payments are due annually which commenced April 1, 1993 with interest payable to bondholders on October 1 and March 1 until maturity at April 1, 2000.

Interest paid was \$4,863,000, \$5,879,000 and \$6,389,000 during the years ended December 31, 1999, 1998 and 1997, respectively.

Future annual maturities of long-term obligations outstanding at December 31, 1999 are as follows:

Year	
2000	\$ 508,000
2001	14,265,000
2002	6,029,000
2003	6,008,000
2004	6,008,000
Thereafter	27,142,000
	<u>\$ 59,960,000</u>

The Cooperative also maintains a \$20 million line of credit agreement with a bank. No amounts were outstanding under this line of credit at December 31, 1999 and 1998, respectively.

Leases

The Cooperative leases certain machinery and equipment which are accounted for as operating leases. Some leases contain renewal options and many leases provide for contingent rental payments based on usage. Future minimum rentals under noncancellable operating leases are not significant.

Rental expense charged to operations under all operating leases approximated \$4,943,000, \$4,675,000 and \$4,679,000 for the years ended December 31, 1999, 1998 and 1997, respectively. A significant portion of this expense is comprised of rental payments based on usage.

The Cooperative leases certain property and equipment under agreements which are classified as capitalized lease obligations. Accordingly, the related property and equipment and obligations are reflected in the accompanying balance sheets.

NOTES TO Financial Statements

Income Taxes

The provision for income taxes consists of the following:

	For the Year Ended December 31,	
	1998	1997
Current:		
Federal	\$1,532,000	\$1,874,000
State	105,000	151,000
Deferred	74,000	228,000
	<u>\$1,711,000</u>	<u>\$2,253,000</u>
		\$ 530,000

The provision for income taxes reflects a combined federal and state tax rate. The difference between the effective tax rate of 8.3%, 7.6% and 10.5% for the years ended December 31, 1999, 1998 and 1997, respectively, and the statutory federal rate of 34% and applicable state taxes is primarily due to qualified patronage allocations which are deductible for federal tax purposes.

Deferred taxes are provided relating to methods used for financial accounting which differ from those used for tax accounting. These differences are comprised of the following primary components:

	December 31,	
	1998	1997
Deferred tax assets:		
Nondeductible reserves and accruals	\$ 684,000	\$ 865,000
Other	27,000	34,000
	<u>711,000</u>	<u>899,000</u>
Deferred tax liabilities:		
Accumulated depreciation	(109,000)	(223,000)
Other	(7,000)	(7,000)
	<u>(116,000)</u>	<u>(230,000)</u>
Net deferred tax assets	<u>\$ 595,000</u>	<u>\$ 669,000</u>

The net deferred tax assets are comprised of current assets of \$292,000 and \$389,000 and noncurrent assets of \$303,000 and \$280,000 within the respective December 31, 1999 and 1998 balance sheets. Income taxes paid were \$2,046,000, \$1,580,000 and \$23,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

NOTES TO Financial Statements

Employee Benefit Plans

The Cooperative has noncontributory defined benefit plans covering substantially all employees not covered under union-sponsored plans. The benefits are based on years of service and the employee's compensation level.

The following provides the funded status of the Cooperative's plans and the amounts recognized in the balance sheets:

	December 31,		
	1998	1998	1997
Benefit obligation	\$ (24,540,000)	\$ (23,774,000)	\$ (19,769,000)
Fair value of plan assets	30,961,000	29,529,000	25,840,000
Funded status	\$ 6,421,000	\$ 5,755,000	\$ 6,071,000
Accrued benefit cost recognized in the balance sheets	\$ (4,554,000)	\$ (3,413,000)	\$ (2,637,000)

	For the Year Ended December 31,		
	1998	1998	1997
Benefit cost	\$ 1,216,000	\$ 1,058,000	\$ 1,152,000
Employer contributions	60,000	283,000	259,000
Benefits paid	938,000	747,000	691,000

Assumptions:

	December 31,		
	1998	1998	1997
Discount rate	7.75%	7.00%	7.50%
Expected return on plan assets	9.00%	8.00%	8.00%
Rate of compensation increase	4.90-6.90%	4.90-6.90%	4.90-6.90%

NOTES TO Financial Statements

The Cooperative also contributes to union-sponsored pension plans. Pension costs for these plans were \$2,274,000, \$2,053,000 and \$2,041,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

In addition to the defined benefit plans described above, certain eligible employees are covered by defined contribution plans. The expense for these plans was \$1,021,000, \$989,000 and \$919,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

In conjunction with the acquisition of the Morning Glory Farms Region of Associated Milk Producers, Inc., the Cooperative assumed obligations to provide postretirement health care benefits to certain eligible employees. At December 31, 1999 and 1998, the accumulated postretirement benefit obligation was \$1,247,000 and is included primarily within other noncurrent liabilities in the accompanying balance sheets.

Facility Closures

As a result of evaluations of operations performed in the normal course of business, three facilities have been identified for closure. These decisions resulted in a charge of \$4,000,000 which is reported as selling, general and administrative expense in the 1998 statement of operations. The charge was comprised of \$2,619,000 in writedowns of property, plant and equipment, and \$1,381,000 of estimated employee severance and termination benefits. For the plants to be closed, the property, plant and equipment were written down to their estimated fair value, less costs of disposal. The operating results of the facilities to be closed are not material. The closure activities were completed and substantially all employee-related costs incurred during 1999. Based upon the actual employee severance and termination costs incurred, the Cooperative reversed approximately \$600,000 of the previously recorded reserve.

Contingencies

The Cooperative is subject to contingencies, including legal proceedings, arising in the normal course of business. Management believes that final disposition of these contingencies will not have a material adverse effect on the Cooperative's financial position or results of operations.

Subsequent Event

Subsequent to December 31, 1999, a customer of the Cooperative filed a petition for Chapter 11 bankruptcy protection. As such, the Cooperative has recorded a write-down in the amount of \$2,704,000 in 1999 for the estimated loss on its year-end receivables balance with this customer.

EXECUTIVE Staff

DONALD STORHOFF, PRESIDENT

Joined Wisconsin Dairies in 1971 as manager of the cooperative's Richland Center, Wis., cheese plant. Became production manager in 1973 and general manager in 1977. Has served as president since 1984. Received American Dairy Products Institute's 1997 Award of Merit. Given "The Eagle Award" by the International Dairy Foods Association in 1998. 47 years of experience in the dairy industry.

JOSEPH WEISS, VICE PRESIDENT, FLUID DIVISION

Joined Wisconsin Dairies in 1979 as manager of the cooperative's Richland Center, Wis., cheese plant. Was a self-employed dairy farmer near Pine Island, Minn., from 1982-1986. Named quality assurance manager for Wisconsin Dairies in 1986. Became Golden Guernsey Dairy Cooperative's Waukesha division manager in 1987. Served as president of Golden Guernsey from 1990-94.

Served as executive vice president of Foremost Farms from 1995-1998. Became vice president-fluid division in 1998. 27 years in the dairy industry.

DAVE FUHRMANN, VICE PRESIDENT, CHEESE DIVISION

Joined Wisconsin Dairies in 1981 as manager of the cooperative's Richland Center, Wis., cheese plant. Became production services manager in 1986 and ingredients division manager in 1989. Served as vice president-manufacturing from 1993-1998. Became vice president-cheese division in 1998. 26 years experience in the dairy industry.

DUANE KAMENICK, VICE PRESIDENT, FINANCE

Joined Wisconsin Dairies in 1974 as the cooperative's controller. Became director of finance in 1979. Named vice president-finance in 1984. 30 years of dairy industry experience.

JIM KASTEN, VICE PRESIDENT, MEMBER, EMPLOYEE AND INDUSTRY RELATIONS

Joined Consolidated Badger Cooperative in 1970. Named president and general manager of Morning Glory Farms Cooperative in 1984. Became general manager of the Morning Glory Farms Region of Associated Milk Producers, Inc. (AMPI) in 1986. Joined Foremost Farms in 1995 as assistant to the president. Became vice president-member, employee and industry relations in 1998. Received "Cooperative Builder Award" from the Wisconsin Federation of Cooperatives in 1999. 30 years of dairy industry experience.

CURTIS KURTH, VICE PRESIDENT, PLANNING AND MARKETING ANALYST

Joined Wisconsin Dairies in 1979 as director of marketing. Named vice president-marketing in



Front: Curtis Kurth, Donald Storhoff, Jim Geyer
Back: Jim Kasten, Joseph Weiss, Duane Kamenick, Dave Fuhrmann

1984. Prior to 1979, worked for four dairy organizations in the areas of federal orders, cost accounting and general accounting. Became vice president-planning and marketing analyst in 1998. 42 years in the dairy business.

JIM GEYER, VICE PRESIDENT, INGREDIENT DIVISION

Joined Wisconsin Dairies in 1984 as quality assurance manager following Wisconsin Dairies' acquisition of Foremost-McKesson's Wisconsin whey processing facilities. Became the Appleton (John St.) Wis., plant

manager in 1986. Named specialty products division manager in 1987. Promoted to vice president-technology in 1989. Named vice president-ingredient division in 1998. 35 years of experience in the dairy industry.

FIVE-YEAR Financial Summary 1995 to 1999

(Dollars in thousands)

For the Year Ended December 31,
1999 1998 1997 1996 1995

Total Revenues

\$ 1,301,471 \$ 1,375,914 \$ 1,192,852 \$ 1,357,365 \$ 821,850

Payments to patrons and other costs of products sold
Selling, general and administrative expenses
Depreciation and amortization expense
Interest expense

1,222,598 1,287,452 1,134,500 1,288,499 778,667
28,246 29,134 25,624 26,425 15,909
25,347 24,471 21,946 18,850 11,330
4,611 5,244 5,735 5,538 2,765
1,280,802 1,346,301 1,187,805 1,339,312 808,671

Income Before Income Taxes
Provision for income taxes
Net Income

20,669 29,613 5,047 18,053 13,179
1,711 2,253 530 1,165 589
\$ 18,958 \$ 27,360 \$ 4,517 \$ 16,888 \$ 12,590

Income distribution:

Cash
Equity credits
Total

\$ 4,083 \$ 7,136 \$ 1,842 \$ 4,184 \$ 3,134
12,251 21,406 5,526 12,552 9,402
\$ 16,334 \$ 28,542 \$ 7,368 \$ 16,736 \$ 12,536

Equity retirements and estates
Additions to property plant and equipment
Working capital

\$ 11,341 \$ 9,221 \$ 1,448 \$ 8,255 \$ 6,455
\$ 26,390 \$ 19,643 \$ 21,804 \$ 33,555 \$ 13,714
\$ 45,303 \$ 48,751 \$ 36,680 \$ 34,515 \$ 38,327

Current ratio

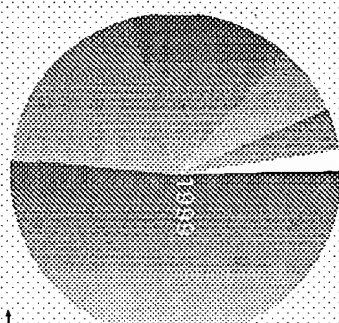
1.48 to 1.00 1.33 to 1.00 1.33 to 1.00 1.28 to 1.00 1.28 to 1.00

Total assets
Members' and patrons' equities
Long-term obligations
to equities ratio
Ownership ratio

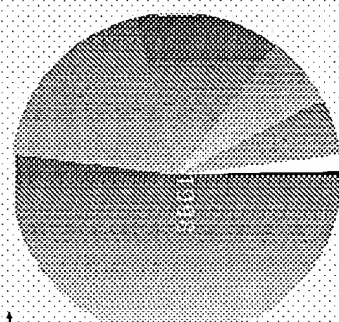
\$ 323,213 \$ 376,065 \$ 334,941 \$ 353,055 \$ 354,316
\$ 162,581 \$ 159,047 \$ 148,044 \$ 146,817 \$ 142,368
36.6% 41.5% 49.0% 53.8% 52.4%
50.3% 42.3% 44.2% 41.6% 40.2%



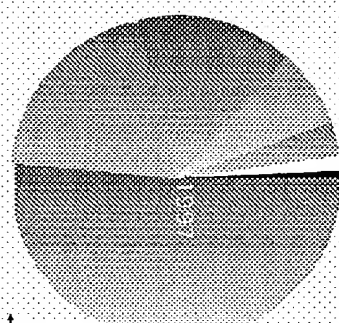
PERCENT OF NET Sales BY PRODUCT



- 51.6% Cheese
- 19.0% Liquid & Condensed
- 15.8% Milk Products
- 7.0% Whhey Products
- 4.2% Butter
- 2.1% Juice Products
- 0.3% Milk Powder

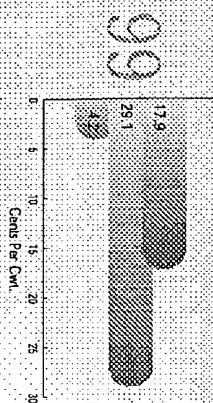


- 52.1% Cheese
- 19.0% Liquid & Condensed
- 14.1% Milk Products
- 7.1% Whhey Products
- 5.7% Butter
- 1.7% Juice Products
- 0.3% Milk Powder

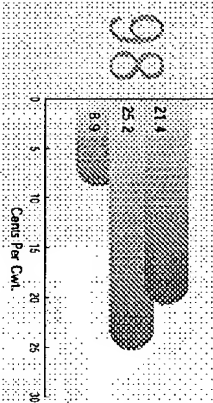


- 51.5% Cheese
- 19.8% Liquid & Condensed
- 15.3% Milk Products
- 7.8% Whhey Products
- 3.4% Butter
- 1.5% Juice Products
- 0.7% Milk Powder

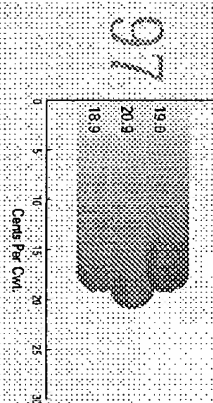
GRADE "A" EXTRA PAYMENT



- Quality
- Volume
- Protein

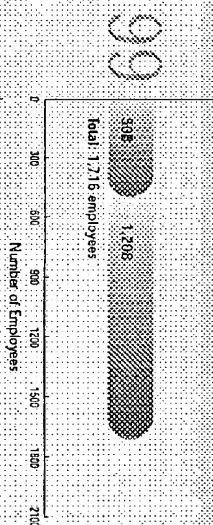


- Quality
- Volume
- Protein

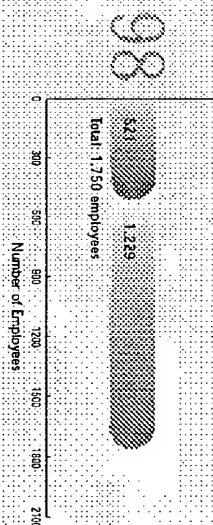


- Quality
- Volume
- Protein

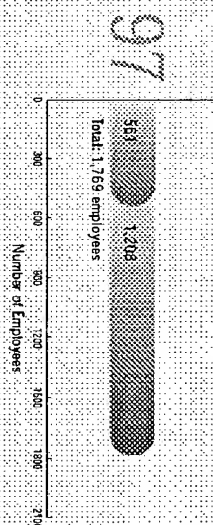
NUMBER OF SALARIED AND HOURLY Employees



- Hourly
- Salaried

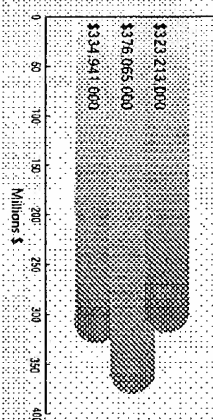


- Hourly
- Salaried



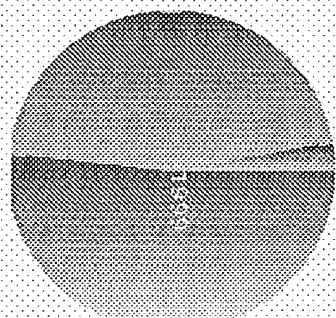
- Hourly
- Salaried

TOTAL Assets



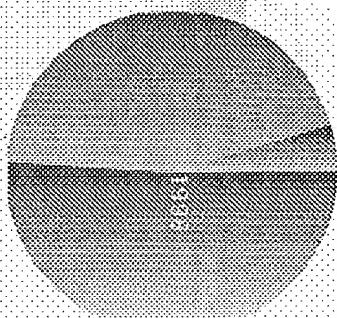
- 1999 assets
- 1998 assets
- 1997 assets

TOTAL Cheese MANUFACTURED BY TYPE



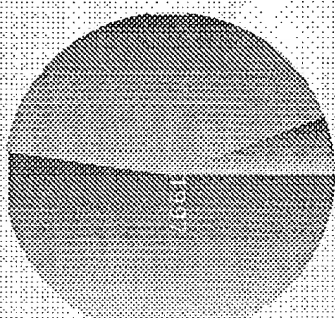
51.9%	American	236,602,000 lbs.
45.2%	Italian	206,329,000 lbs.
2.9%	All Others	13,399,000 lbs.

100.0 % Total 456,330,000 lbs.



51.1%	American	223,184,000 lbs.
44.3%	Italian	193,229,000 lbs.
4.6%	All Others	20,065,000 lbs.

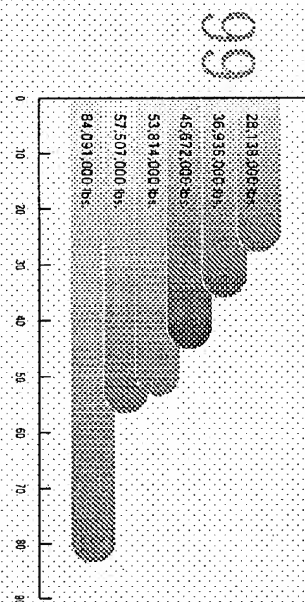
100.0 % Total 436,478,000 lbs.



52.3%	American	231,800,000 lbs.
41.9%	Italian	185,722,000 lbs.
5.8%	All Others	25,392,000 lbs.

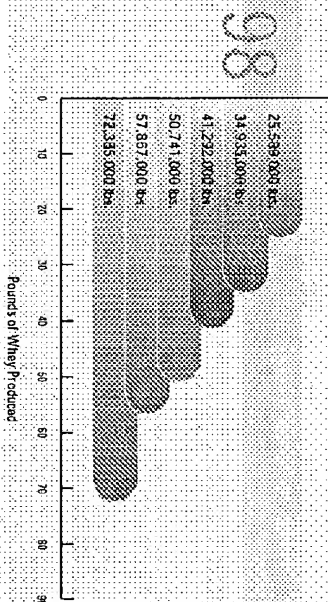
100.0 % Total 442,914,000 lbs.

POUNDS OF Whey MANUFACTURED



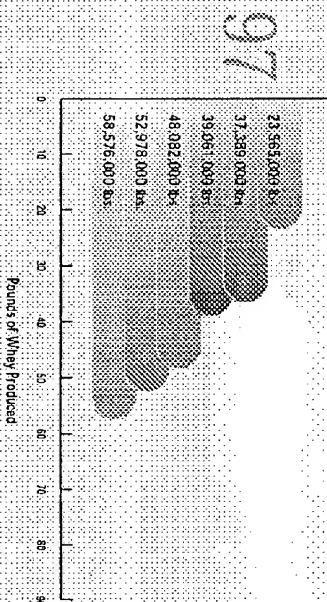
9.2%	Lactose Products	28,138,000 lbs.
12.1%	Whey Protein Products	36,935,000 lbs.
14.9%	Whey Powder	45,672,000 lbs.
17.5%	Other Whey Products	53,814,000 lbs.
18.8%	Reduced Mineral/Lactose Products	57,507,000 lbs.
27.5%	Condensed Whey Solids	84,091,000 lbs.

100.0 % Total 306,157,000 lbs.



9.0%	Lactose Products	25,589,000 lbs.
12.4%	Whey Protein Products	34,935,000 lbs.
14.6%	Whey Powder	41,292,000 lbs.
17.9%	Other Whey Products	50,741,000 lbs.
20.5%	Reduced Mineral/Lactose Products	57,867,000 lbs.
25.6%	Condensed Whey Solids	72,385,000 lbs.

100.0 % Total 282,809,000 lbs.



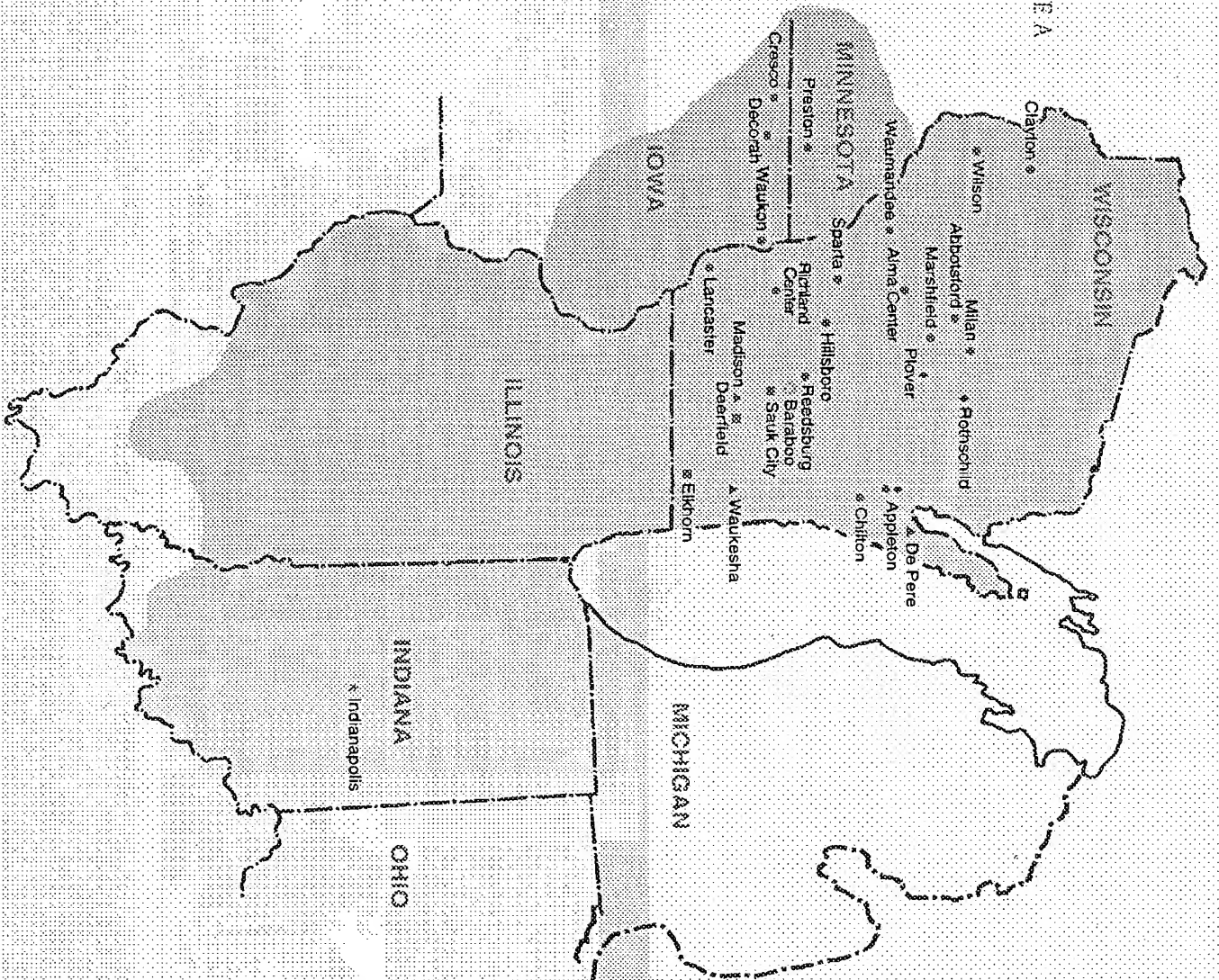
9.1%	Lactose Products	23,565,000 lbs.
14.4%	Whey Protein Products	37,389,000 lbs.
15.0%	Whey Powder	39,061,000 lbs.
18.5%	Other Whey Products	48,082,000 lbs.
20.4%	Reduced Mineral/Lactose Products	52,978,000 lbs.
22.6%	Condensed Whey Solids	58,576,000 lbs.

100.0 % Total 259,651,000 lbs.



PROCUREMENT AREA and Locations

- LOCATIONS**
- ◆ Plants
 - * Office
 - Transfer Stations
 - Corporate Headquarters
 - ▲ Fluid Products Plants
 - ◆ Whey Processing Plants

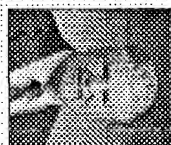


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BOARD OF Directors



Bob Anderson, Sparta, Wis.,
First Vice Chairman
Dennis Bell, Gays Mills, Wis.
Dennis Bork, Independence, Wis.
Russel Brock, Gillett, Wis.
Edward Brooks, Reedburg, Wis.,
Chairman
Mark Brown, Dodgeville, Wis.



Rick Borkhamer, Richland Center, Wis.
Bob Clason, Mazomanie, Wis.
George T. Crosby, Greenburg, Ind.
Doug Danielson, Cadott, Wis.
Ardath DeWalt, Shannon, Ill.
Dave Elnek, Walikon, Iowa
Mark Erdman, Lexington, Ill.



Eugene Merritt, Elbert, Wis.,
Assistant Secretary/Treasurer
Scott Niess, Osage, Iowa
Jeffrey Holstad, Cambridge, Wis.
John Novachek, Hillsboro, Wis.
Melvin Ott, Marshfield, Wis.
Jon Posto, Phillips, Wis.
William Peterson, Scandinavia, Wis.

Leo Pfaff, Holmen, Wis.
Steve Phares, Alton, Ind.
Mel Pittman, Plum City, Wis.
Gerald Pitzan, Cuba City, Wis.
Bob Prahl, Wausau, Wis.
Jerome Rivers, Winona, Minn.
David Schaevel, Preston, Minn.

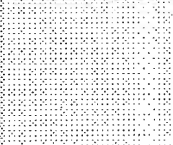
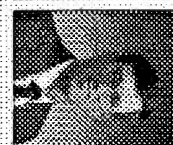


Mike Hahn, Lancaster, Wis.
Dan Horvath, Mabel, Minn.
Randy Johnson, Grovetown, Ind.
Tim Johnson, New Richmond, Wis.
David Kyle, Elkhorn, Wis.
William Lenzlow, Sycamore, Ill.
Second Vice Chairman
Ralph Lenzow, Suo, Wis.



Charles Shaw, Hope, Ind.
Bob Topel, Lake Mills, Wis.,
Secretary
Carolyn Verbaust, Barton, Wis.
Gary Wobbenhorst, Watery, Wis.
Randy Wyss, Monroe, Wis.

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* Executive Committee Member

OUR *Mission*

The mission of Foremost Farms USA is to provide dairy farmers with a financially sound organization that efficiently assembles, processes and markets milk and related dairy products to customers in a manner that generates fair and equitable returns for past, present and future member-owners.

Location Telephone Directory

Abbotsford, Wisconsin	(715) 223-6341	Deerfield, Wisconsin	(608) 764-5262	Preston, Minnesota	(507) 765-3831
Alma Center, Wisconsin	(715) 964-7411	De Pere, Wisconsin	(920) 336-4206	Reedsturg, Wisconsin	(608) 524-2351
Appleton, Wisconsin (Spencer St.)	(920) 734-1461	Elkhorn, Wisconsin	(262) 723-8870	Richland Center, Wisconsin	(608) 647-2186
Appleton, Wisconsin (John St.)	(920) 738-1555	Hillsboro, Wisconsin	(608) 489-2651	Rothschild, Wisconsin	(715) 359-0534
Appleton, Wisconsin (Warehouse)	(920) 738-1545	Indianapolis, Indiana	(317) 842-7755	Sauk City, Wisconsin	(608) 643-3316
Baraboo, Wisconsin	(608) 356-8316	Lancaster, Wisconsin	(608) 723-7681	Sparta, Wisconsin	(608) 269-3126
Chilton, Wisconsin	(920) 849-9339	Madison, Wisconsin	(608) 271-3000	Waukesha, Wisconsin	(262) 547-1700
Clayton, Wisconsin	(715) 948-2166	Marshfield, Wisconsin	(715) 384-5616	Waukon, Iowa	(319) 568-3474
Cresco, Iowa	(319) 547-3941	Milan, Wisconsin	(715) 257-7015	Waumandee, Wisconsin	(608) 626-2121
Decorah, Iowa	(319) 382-4212	Plover, Wisconsin	(715) 341-0101	Wilson, Wisconsin	(715) 772-4211